

DATE: April 19, 2016

TO: Thomas J. Bonfield, City Manager
THROUGH: Keith Chadwell, Deputy City Manager
FROM: Grace Dzidzienyo, Interim Director, Office of Economic and Workforce Development

SUBJECT: Public Hearing and Recommended Agreement for Economic Development Incentive with Habitable Space, LLC

Executive Summary

This item describes the economic development project proposed by Habitable Space, LLC within the Community Development Area (CDA) in the City of Durham outside the downtown development tier. It also describes a proposed economic development incentive contract between Habitable Space, LLC and the City of Durham.

Recommendation

The Office of Economic and Workforce Development (OEWD) recommends that the City Council:

- 1) authorize a public hearing on the proposed economic development incentive agreement per G.S. 158-7.1 and
- 2) authorize the City Manager to execute an economic development incentive agreement with Habitable Space, LLC in an amount not to exceed \$100,000.00 for a building renovation project at 1200 West Chapel Street, Durham NC.

Background

On April 21, 2014 the City Council approved an economic incentive policy amending the earlier policy approved on April 4, 2011 which included the Neighborhood Revitalization Grant Incentive Program. Projects to be funded through this program are intended to accomplish the following:

- to stimulate economic revitalization by leveraging private investment
- to create and retain permanent full-time livable wage jobs
- to make permanent jobs accessible to lower income neighborhood residents including persons who are unemployed
- to engage community involvement and support
- to strongly encourage local partnerships

- to complement other neighborhood initiatives, projects and programs
- to leverage other funding resources

In order to be eligible for an incentive payment under the “Neighborhood Revitalization Grant Incentive Program,” the capital investments must be made within the CDA outside the downtown development tier. The project should have a substantial impact on the physical economic vitality of the affected neighborhood which will strengthen the City of Durham tax base in that area. The maximum incentive award may be up to 50% of the total capital investment made for a total incentive payment but not exceed \$500,000.00. The policy is “performance-based.” No incentives will be paid to the company until after the company has achieved the terms of the economic incentive agreement.

Habitable Space, LLC has applied to OEWD for a Neighborhood Revitalization Grant Incentive and proposes to renovate an underutilized and blighted building at 1200 West Chapel Street which is located along an OEWD targeted commercial located in the West End of Durham. Currently there is not a restaurant along this targeted corridor that offers a combined indoor/outdoor dining option. The plan is to redevelop from a 1288 SF church into 2138 SF restaurant that would offer a dual option of dining, catering food services and create approximately 30 new jobs over a three year period.

Project Habitable Space

Total Cost: \$822,550.00

Public Cost: \$100,000.00

Issues and Analysis

A major priority of the City of Durham is increasing and strengthening the economic stability of the City. This project if funded will address a blighted and underutilized commercial building located along the West Chapel Street commercial corridor. It will be a major step in the continuing of transformation of the West Chapel street commercial corridor. The opportunity to attract this type of capital investment, along with the expansion of home grown startup business has not been readily available to this area. Although success is not guaranteed, the managing partners of Habitable Space LLC, Wendy Woods and Stacey Poston currently operate two successful restaurant businesses for the past 10 years which increases the likelihood of success of this new startup business.

Stacy Poston is an employee of the City of Durham and a managing partner of Habitable Space LLC, which has applied for a grant incentive in the amount of \$170,000 to assist with renovating this building on West Chapel Street. The OEWD staff has informed the City Manager’s Office in writing of the connection between the applicant and a city employee, along with the grant application file and supporting documents. After a thorough review of the application, by the City Manager’s office, OEWD staff was given the discretion to move forward with processing of this grant incentive request. This discretion was also based upon the feedback of both the City Attorney’s Office and the Internal Audit Department. Staff has conducted a thorough review of the project and endorses this project, which would be an asset in promoting the continued revitalization and vitality of the West Chapel street commercial corridor and its surrounding neighborhoods.

The proposed project will produce \$722,550.00 in private investment with \$100,000.00 in City funding, producing approximately an 7.2:1 ratio of private to public funding. The anticipated sources of capital for the project are as follows:

<u>Source</u>	<u>Amount</u>	<u>Status</u>
Source 1 Habitable Space, LLC	\$ 52,550.00	Committed
Source 2 *City of Durham	\$100,000.00	Requested
Source 3 First South Bank	\$200,000.00	Committed
	\$470,000.00	Requested
Note: OEWD recommendation is to fund \$100,000.00 of the \$170,000.00 that is being requested.		
Total	\$822,550.00	

Other Deliverables

The company must provide the City with evidence of capital investment expenditures for space to be occupied at relevant timeframes.

- The Company shall expend a minimum of \$270,000.00 in hard cost and provide the City with evidence of these capital expenditures.
- Adherence to a Durham Workforce Plan will be a contract deliverable and Durham residents will have the opportunity to apply for positions through the Durham JobLink Career Center System.
- An incentive would help create opportunities for Durham-based businesses to bid on construction-related work associated with the project. Adherence to a Durham-based business plan for construction-related trades would be a contract deliverable. It should be noted that the contractor that is likely to be selected to undertake the project will be a Durham-based firm that has a strong familiarity with other local Durham firms and the City's Equal Opportunity Equity Assurance (EOEA) program. Therefore, the likelihood of other Durham businesses participating in this project would increase.

Alternatives

The City Council may reject the recommendation or may choose to fund the project at a lower amount. Not funding the project would be inconsistent with the Neighborhood Revitalization

Grant program in the Targeted Commercial Corridor Community Development Area. The proposed project will have positive effects on the appearance and business climate of the affected location.

Financial Impact

Funding for this project will come from the FY 2016 Neighborhood Revitalization Fund.

SDBE Summary

An SDBE summary is inapplicable because no project-specific goals have been set and no SDBEs are involved in this item.

Attachment

- Habitable Space, LLC, Project Request & Overview
- Neighborhood Incentive Agreement for Habitable Space, LLC